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SUBJECT: EMBASSY PRAGUE NOMINATION FOR SECRETARY'S AWARD
FOR CORPORATE EXCELLENCE

REF: STATE 64726

¶1. SUMMARY: Embassy Prague nominates IBM Czech Republic for the Secretary's Award for Corporate Excellence for 2006. The nomination recognizes the important contribution by IBM Czech Republic to both the Czech community and business environment. END SUMMARY

¶2. IBM Czech Republic (IBM CR) entered the Czech Republic approximately 5 years ago with an initial investment of \$8.8 million. They have built sales and business offices in Prague and a regional technical support center in Brno, which employs 1,400 people. Current investment and employment levels are not available. As updated data is received, post will forward septel.

¶3. The investment climate in the Czech Republic is considered one of the best in Central Europe. The Czech Republic experienced a record \$11 billion in FDI in 2005. U.S. companies have been operating in the Czech Republic since the Velvet Revolution in 1989 and have invested nearly \$4 billion. Most investment comes from large Multi-National Enterprises (MNEs), such as IBM, Johnson & Johnson and Procter & Gamble. However, small and medium-sized U.S. firms also invest significantly.

¶4. Post selected IBM CR because of its strong internal promotion and retention policies along with its desire for corporate excellence. IBM distinguished itself with innovative employment practices in the Czech market that include professional development programs, flexible work hours, and well-being and injury prevention programs along with outreach to technical universities.

Employment Practices

¶5. Diversity in IBM means welcoming all people in the workplace regardless of factors unrelated to job performance,⁸ said Ales Bartunek, General Manager, IBM Czech Republic. The best team in business consists of a rich variety of people of different gender, race, religion, age, physical ability, cultural background and life experience.⁸ IBM Czech Republic has implemented a number of employment practices to make this goal a reality.

¶6. The Women's Leadership Council (WLC) raises awareness of women's contribution to IBM within the company and with IBM customers. It is the place for IBM women to address issues with the leadership teams and also to network together and to share best practices.

¶7. The Taking the Stage Program shows women how to achieve a strong leadership presence by focusing on developing their

public speaking abilities in different situations) board rooms, meeting rooms, conference halls and phone calls. The program is designed to strengthen the leadership skills of IBM women through a structured discussion and provide IBM women with the opportunity to network and build relationships.

¶18. The Maternity Leave and Return Program supports IBM women before, during, and after maternity leave to increase the number of women returning to their job after maternity leave. Those on leave can keep their notebook computers and User IDs, stay on all distribution lists, have access to the intranet, receive internal newsletters, and be invited to department events.

¶19. The Flexible Office Program is an option to telecommute from home, from a customer's office or any other place where it is most convenient for the employee. This program benefits employees with children or on parental leave who are struggling to balance the demands of their work with their personal lives. The company supports them technologically by providing a computer and covering their Internet connection expenses necessary to carry out their jobs.

¶10. The IBM Global Pulse Survey is one of the ways the company assesses the effectiveness of IBM leadership and whether IBM is creating an environment where employees can grow and make a difference. Conducted bimonthly, the survey measures employee satisfaction and attitudes on key workplace topics, such as leadership, innovation, processes and resources, challenge and opportunity, rewards and feedback, and teamwork. Results of each survey are summarized in a report, providing insight into current employee attitudes as well as trends over the past four months and year on year. Data on how IBM is doing in each area relative to their competitors and other companies in Europe is also included.

These reports are posted regularly on the intranet.

Provisions for a Safe and Healthy Workplace

¶11. IBM Czech Republic has implemented a workforce well-being program that aims to reduce workplace related injuries and hazards through prevention training and consultation. For instance, IBM CR regularly performs inspections in all premises to detect potentially hazardous or harmful work conditions. Outside the physical environment, IBM requires regular medical examinations, i.e. upon joining IBM, yearly, and at departure from IBM.

Contribution to the Rule of Law and Overall Growth and Development of the Local Economy

¶12. IBM CR opened a computer support center, the Integrated Delivery Center, in Brno, where a large number of universities and technical schools graduate highly trained engineers and computer technicians every year. The center provides services for international customers in all areas of their IT infrastructure, such as server management (operating systems, databases and application hosting), and managing the corporate network infrastructure. Since its inception in 2001, the center has grown to 1,400 professionals and has therefore reduced Czech &brain-drain8 to other nations. Compatibility and, if Appropriate, Contribution to Local Science and Technology Policies

¶13. The Czech Republic's educational system produces too few technically qualified workers to meet the demands of investors and business. The country's future prosperity will depend on high-value-added inputs into the economy, and to this end, IBM is helping. Through its computer education initiative, zSeries, IBM CR supports computer science students and teachers with access to computers, study plans, and computer experts. It also offers training programs for university students and teachers.

¶14. In 2005, the program focused on the Czech Technical University in Prague. IBM, for example, organized a student research competition, dubbed &Student Research Projects

2005.8 The competition, open to students in any M.A. program, assigned research projects according to the needs of the Czech Technical University and IBM CR. Students were helped by both their teachers and IBM experts on the projects with a particular emphasis on teaching students to solve complex tasks, document work, and present findings. Prizes included money awards totaling 60,000 CZK (2,500 USD), a part-time job at IBM, and scholarships and grants.

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